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CONFIDENTIAL.

The Honorable
The Secretary of State,
Washington, D. C.

Sir: Attention: Mr. H. Charles Smith.

I have the honor to transmit herewith two copies
of a report, dated May 16, 1935, from Treasury Attache
Nicholson at Shanghai, in regard to drug conditions in
Liaoning, "Manchuria".

Respectfully,

For the Secretary of the Treasury:

Assistant Secretary.

Enclosure

JWS/JWS

Copy in file

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OFFICE OF THE COMMISSIONER

ADDRESS REPLY TO
COMMISSIONER OF CUSTOMS

**TREASURY DEPARTMENT
BUREAU OF CUSTOMS
WASHINGTON**

IN REPLY REFER TO
7996

9525 P2

JUN 13 1935



JUN 12 1935

The Commissioner of Narcotics,
Washington, D. C.

Sir:

There is inclosed for your information a copy of a report dated May 17, 1935, from the Treasury Attache, Shanghai, China, in regard to drug conditions in Liaoning, Manchukuo.

By direction of the Commissioner:

Respectfully,

Shirley Stephens

SHIRLEY STEPHENS
Acting Chief, Division of Enforcement.

Inclosure No. 10942.

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INCLOSURE No. 10942

TREASURY DEPARTMENT
BUREAU OF CUSTOMS

DEPARTMENT
COPY

SHANGHAI, CHINA

May 19th, 1935.

Commissioner of Customs,
Division of Customs Agents,
Washington, D. C.

RE: DRUG CONDITIONS IN LIACHING, MANCHUKUO.

SIR:

The drug situation in the Province of Lianning (Manchukuo) has almost completely changed during the past few years from opium smoking to the use of opium derivatives in the form of Morphine and Heroin.

During the last years of the Ching Dynasty (about sixty years ago) opium smoking was a luxury in Manchuria, and only commonly used in official circles; the high price of opium making it impossible for the lower classes to use it habitually and it was at this time that the ambitious Japanese introduced narcotic drugs, principally in the form of morphine, as a cheaper and more convenient substitute.

When Manchuria surrendered its independence and joined the Nanking regime (about 1928), the suppression of opium and morphine was strictly enforced making it very difficult and costly to obtain a supply of these drugs in the market and it was during this period that the Japanese introduced heroin to meet the demands of the common people.

Since that time the Japanese concessions in Moukden, Antung, Pongchi (本溪), and Wusson (撫順) became the centers of supply of these drugs to the Chinese in Manchuria. Japanese and Korean prostitutes were made the distributing agents of morphine and heroin.

Sia Yee Chow (新花州) on the eastern bank of Yalu River (鸭绿江) was the great manufacturing and wholesale center. Mishan (密山) Haling (虎林) and Mahanshan (马占山) of Kirin Province, and Talai (大赉) and Pali (泡子) in Heilungkiang Province continued to be great opium producing and smoking districts, and the use of narcotic drugs was confined to the big cities such as Harbin and Changchun.

In the city of Taitaihar (泰来), however, Japanese morphine and heroin were very popular. Alcohol had been noted

for its opium for a great many years and the export of this drug to other provinces had been a big source of revenue both to the government and to the people. However, morphine and heroin had been used by a small number of people of this province.

But conditions after the Manchurian Incident have been very different. The vast region of Manchuria has since become flooded with Japanese narcotic drugs and the people are in the tight grip of Japanese traffickers. This report will try to describe the actual conditions of the "Triangle Region" (三角地带) of Liaoning (遼寧) as revealed by special investigation by our agent in Manchuria.

(2) The First Period - (From October 1931 to March 1933).

(A) Opium Conditions in Antung, Fengcheng, (鳳城)
 Sin-Yen (岫巖)
 Chum-ho (莊河).

Antung (營口) had been a very important opium center for many years, where it was confined to the Japanese concession. After the Manchurian Incident, opium dens were opened on all the leading streets of the city such as Chien-Hon Tsung Street (前邊街), Chang-fu Street (中街), Lin tao kao (大道口), etc. Most of the opium dens employed young girls to serve as waitresses and these houses soon became centers of social intercourse, especially among the business men and officials. Opium used by these smoking dens is mostly Korean Opium from Sin Yee Chow (新義州) and Hailiangtung (海連洞) which is considered to be better than Jehol Opium. Korean Opium costs about \$3.50 per taal and is usually cooked with preserved opium ash (陳灰) and narcotic drugs. In this condition each taal of opium is divided into 70 doses and sold at 30¢ per dose, thus making almost 600% profit. It has been found, from an opium den in Chitachao (七道溝), that over \$400.00 worth of this prepared opium is usually sold per day.

With regard to the number of opium dens in Antung, no more than twenty private smoking dens existed in the Chinese City before the Manchurian Incident, while in the Japanese concession over five hundred were kept operating. In July 1932, over eighty registered dens had been established in the Chinese City, and the number grew to one hundred forty-five in the spring of 1933. The number of opium dens in the Japanese Concession increased to six hundred eighty-four during this period. The population of Antung heien district numbers about 240,000 with half of this population living in the city. At present among the 130,000 people living in the city, over 20,000 have become opium and narcotic addicts. Each addict consumes three chiens (3/10 taal) of opium per day. The total amount of opium consumed in a year would be approximately 2,160,000 taals, at a cost of at least \$6,480,000.00, calculated at \$3.00 per taal. The conditions in the rural districts remain practically the same as before as they continued under the control of Chinese volunteers who dis-

courage illicit traffic in and smoking of opium. Since January 1933, however, the Chinese volunteers have been gradually scattered to other places and the use of opium has been introduced in public so that now there are over one hundred opium dens throughout Ta Tung Kuo (大東國), Han-shui-pao (漢水堡), Kao-li-shan (高麗山), Chin-lien-chang (九連城), Hu-shih-shan (虎耳山) and other villages. The number of drug addicts has likewise increased to about 15% of the population.

Fengcheng (鳳城). Situated on the eastern side of Antung is Fengcheng, a smaller haiken district, where the scourge of opium was not so serious as in Antung, for here there were not so many Japanese and Korean traffickers as in Antung. Since January, 1933, however, the number of opium dens have increased from five to seventy-six in the city. The number of drug addicts also increased tremendously. At present there are at least 7,500 addicts out of a total population of 53,000. Figuring on a consumption basis of three chins of opium per head per day, the total amount of opium consumed in a year will be 756,000 taels and the cost in money reaches \$2,370,000.00. The conditions in the rural districts are comparatively better for they are mostly under the influence of Chinese volunteers, but recently opium dens are seen in the villages of Huang Lung Miao (黃龍廟), Huang Tu-hua (黃土火) and the eighth district. It is estimated that out of a total population of 250,000 about 6% are addicted to the drug evil.

Sin-Yen (新原). This is the smallest haiken district among the several haikens of this section. The consumption of opium here was not very serious until after the Manchurian Incident. Japanese run-ins and opium traffickers from Ta-shing-shan (大興山) came to this city and established opium dens and retail shops. Subsequently, under the encouragement of Japanese authorities, poppy cultivation became prevalent among farmers and the evil became deeply rooted. During the fall of 1932 this city was taken over by the Chinese volunteers (soldiers), who did not find time to suppress the evil.

Since January 1933, this city fell into the hands of Japanese again and under their opium policy more than 10% of the total population of 150,000 in this haiken have now become addicted to this evil habit. It is estimated that over \$5,000,000.00 per annum is wasted in this traffic.

Shung-sha (舒沙). This is comparatively the richest district of all the haikens in this section. Owing to the fact that it is very near to Jairun and Piao-tzu-ko (票子庫), two great drug centers of Manchuria, this city has been the victim of this harmful traffic for many years. Since the Manchurian Incident over forty smoking dens have been established in the haiken city and over one hundred fifty in the little town of Tukushan (大庫山). It is estimated that there are over 25,000 addicts out of the total population of 270,000 in this district. The total amount of money wasted in this connection per annum is about \$2,700,000.00.

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During this period, over 80,000 persons, out of a population of 900,000 in these four haions, have been addicted to the use of opium. On an average, one addict requires three chiens of opium a day. Therefore, the total amount of opium consumed in a year would be over 8,640,000 taels (Tael 1 1/3 oz) and the money wasted would be around \$25,000,000.00 (calculated at \$3.00 per tael of opium).

(2) The Second Period - (From April 1933 to December 1934).

Opium Conditions in Antung, Fengcheng (凤城)
 Sia-Yon (小岩)
 Chwangho (庄河)

ANTUNG (安东). During the first part of 1933, an order was issued by the Manchukuo authorities designed to encourage the farmers in the cultivation of the opium poppy. This order was met with widespread response as the farmers were attracted by the large profit that could be realized through the cultivation of this product. During the autumn of the same year, the Japanese and Manchukuo armies were engaged in a campaign directed against the Chinese volunteers in the various rural districts. Japanese and Korean drug traffickers followed the Japanese armies into these villages and started opium smoking dens in all these places. As a result of creating new provinces in Manchukuo, which made Antung an important political center, the population of this city increased rapidly. More opium dens were established and waitresses were employed to serve the smokers as a means of helping the business. The Customs Superintendent's Office of the old Chinese Government in Antung has been utilized to house the Opium Monopoly Bureau of this province. Opium dens in the Japanese Concession increased to eight hundred sixty, while those in the Native City jumped to three hundred forty-six. Out of the total population of 160,000, over 40,000 addicts have been found in Antung, that is, no less than 25% of the people of this city are opium addicts. At the same time about 25,000 people out of a total population of 150,000 in the 49 adjacent villages have also been addicted to opium. Estimating the amount of opium consumed on the basis of three chiens per head per day, no less than 7,000,000 taels of opium are consumed in this area per annum at a cost of over \$19,000,000.00.

Fengcheng (凤城). During the summer of 1933, a greater part of the opium poppy cultivated in this region was destroyed by organized Chinese volunteer soldiers, but the balance was well harvested. However, owing to the consequent shortage in opium supply, the price was increased to \$4 - \$5 per tael in the autumn. In 1934 the opium cultivation center was moved to Ningkiang (宁江) and Chih-an (岫安) so as to avoid the damage of Chinese volunteers. But the traffic and smoking remained very serious. Take for instance on September 20th, 1934, an athletic meet was held by the Primary School of a small village called Lungweng-miao (龙王庙) which was attended by about 4,000 visitors. On that day alone the opium retail shop in the village sold over \$700.00 worth of opium. This may serve

to show the extent of the drug evil in this district. According to the latest statistics four hundred fifty-two opium dens have been opened in this haian and no less than 40,000 have been addicted to the habit. The total amount of opium consumed per annum amounts to 4,300,000 taels at a cost of about \$12,000,000.

Sin-Yen (新 延). Owing to the fact that during the old regime of Chang Tso-ling, opium cultivation was once allowed, the people fully realized the profit that could be made from this channel. Therefore, in 1933 when poppy cultivation was again allowed, the whole district was almost fully covered with this plant. In 1934 the opium growing center was moved to other districts.

At present it is estimated that over 40,000 people out of the total population have been addicted to the habit and the total amount of money spent is over \$12,000,000.00 per annum for 4,300,000 taels of opium sold at \$3.00 per tael.

Chwangho (汪 湖). As this district had earlier communication with Taiwan and Mukden, the evil of opium was more deeply rooted. At present over 60,000 people out of the total population of 280,000 inhabitants have been addicted to opium and they require at least 6,500,000 taels of opium costing over \$19,000,000.00 per annum.

During this period over 200,000 addicts have been found in these four haian districts. The amount of opium they require a year will not be less than 21,800,000 taels which cost over \$64,800,000.00.

NARCOTIC CONDITIONS IN ANTUANG, FRENCHES (安 東)
 Sin-Yen (新 延)
 Chwangho (汪 湖)

The First Period (From October 1931 to March 1933).

ANTUANG (安 東). Before the Manchurian Incident, the source of morphine was only menacing Antuang on a small scale, as it was sold secretly only in the Japanese Concession. The Chinese authorities enforced strict suppression measures to cope with this growing evil and their endeavor met with considerable success at that time. But after Japan annexed Manchuria, conditions changed tremendously. Japanese and Korean ronins (hoodlums) utilizing their political influence openly imported morphine and other narcotics into this district from drug factories situated at Sin-Yee-Chow (新 義 州) on the eastern bank of Yalu River (鴨 綠 江). They also established wholesale headquarters at Chi-tao-kao, (大 同 堡). Japanese and Korean houses of prostitution are being used as distribution agencies. Pawn shops, likewise, are being utilized for this purpose. Poor addicts, who are in need of narcotic drugs to satisfy their craving, may exchange their clothing or other belongings for narcotics in these pawn shops. As a result of this practice,

all pawn shops in this district are engaged in the distribution of narcotics as a side line. Besides this, local racketeers, Chinese traitors employed by Japanese and other undesirable and desperate characters have been encouraged by the drug traffickers to engage in distributing drugs as a good source of income.

Consequently, up to the first part of 1932, the whole hain district had been fully menaced by this illicit trade. Our investigation shows that the amount of morphine exported by a Japanese agency near the Tsunjiyama Beikunisho (津吉山北昆室所) to the several hain districts in the eastern side of Antung is no less than 200 lbs. a day. This does not include the amount sold in Antung city. It is estimated that the number of people addicted to morphine including those who have taken morphine as a substitute for opium is no less than 10,000 in this city alone. There are at least 3,000 more in the rural districts such as Lang-tao (浪島), Tang-shan-cheng (湯山城), Wulungpo (五龍堡) and others. If, for example, an addict required only one injection of morphine a day, at a cost of 30 cents per head, the total amount of money spent in this connection would exceed \$1,000,000.00 per annum.

Fengcheng (鳳城). The evil of morphine in this district is much more serious than opium. Although there is no factory engaged in the manufacturing of this harmful drug, yet owing to the convenient supply afforded by Antung, the illicit trade is very prosperous. The chief narcotic agency in this district is the Hiram Yakuboh (華拉亞), operated by a Japanese in the Southern Market (南市場) of this city. All the secret prostitutes in Kan-ho-pai (干河排) are engaged in the distribution of this drug as their side line. Most of the hotels and boarding houses are also participating in the retailing. At this time the narcotic evil has not spread to the villages, but villages on the railway line such as Chi-kuan-shan (旗關山), Shi-tai-tze (石台子), Tung-yuen-pao (通遠堡), have been badly affected. It is estimated that the number of morphine addicts in this hain district will be about 17,000 people and the amount of money spent a year is far beyond \$1,000,000.00.

Shi-yen (石陂). After the Manchurian Incident, Japanese drug traffickers carried on their activities openly in this district. But the conditions here are not so serious as that of Antung and Fengcheng. Since the winter of 1932, this city has become a military center and the use of morphine, as well as the number of prostitutes who follow in the wake of Japanese and Manchukuo Troops, have greatly increased. Gradually the rural villages were also victimized. It is estimated that over 5,000 addicts have been enslaved to this drug and their total expenses in this connection are about \$400,000.00 per annum.

Chungsho (中島). Chungsho has been the natural transit center for Japanese narcotic smugglers from Hailin, Piao-tse-ko (瓢子河), Kaiping (開平), and Ta-shih-chiao (大石橋) for a great many years and the evil of morphine was therefore deeply rooted. But since the

Manchurian Incident, conditions grew more serious. Retail agencies have been started in various parts of the city and the rural districts. No less than 20,000 people have been addicted to the habit. Their yearly consumption is approximately \$1,400,000.00 calculated on the basis of 20 cents per head per day.

Taking these four heien districts together, there are 60,000 people addicted to morphine, whose annual expenses in this connection amounts to \$4,300,000.00.

With regard to heroin conditions in these districts, the problem is comparatively a new one. It was used secretly and only on a small scale before the Manchurian Incident. The use was limited to the city and the country villages along the railway line. But after the "war", this evil affected the rural districts as well. Furthermore, owing to the fact that the illicit use of heroin has been prevalent among the Manchukuo soldiers, the increased military activities following the Sino-Japanese troubles have made it necessary for an increased supply of this drug. Consequently, people in these places have been affected and have been led to use it as opium substitute. The condition in Antung is most serious, while Fengcheng and Changho come next. Sin-Yen is the least affected region. The distribution of this drug is handled mostly by opium dens, morphine joints, and opium retail shops in these districts. Conditions in the villages of Chia-liang-cheng (九連城) and Tutungiao (大土溝) of Antung heien, Chikwa-shan (鸡冠山) and Tung-hua-pao (通化堡) of Feng-cheng heien, and Tokushan (大孤山) and Changtan (长坦) of Changho heien are also very serious. It is very difficult to make a reliable estimate of the number of addicts who require habitual use of this drug, for most of them are classified as opium smokers. They have changed over to this drug simply as substitute for opium. But it is safe to say that the use of this drug is on the increase.

During this first period, it is estimated that there are at least 150,000 people out of the total population of 900,000 in these four heiens addicted to narcotic drugs. The total amount of money spent in this connection is no less than \$8,000,000.00 a year.

NARCOTIC CONDITIONS DURING THE SECOND PERIOD.

(April 1933 to December 1934).

Antung (奉天). After September 1933, the evil of morphine grew rapidly following the military activities of Manchukuo and Japanese armies in their campaign against the Chinese volunteer armies. Furthermore, due to the migration of large numbers of Koreans into this region, who have no definite work except the distribution of narcotic drugs, the scourge of this evil naturally became very widespread. Most recently the number of drug addicts have grown to more than 30,000 persons, whose total expenses a year is estimated to be more than \$2,100,000.00.

Yangchow (Yangchow). Political conditions in this region have been greatly improved after the autumn of 1933 and that enabled a great number of Korean drug peddlers to carry on their activities not only in the city but also in the rural districts. After April, 1934, the completion of motor roads and the introduction of motor buses as the chief means of communication into the various villages helped the distribution of narcotic drugs to a great extent. The investigator personally visited the Lung-Yuan (龍元) village in the sixth district of this hsien and found that of the 420 odd households of this village, 28 were engaged in the retailing of morphine. This will give some idea as to the extent of this evil. It is estimated that over 22,000 addicts require the habitual use of this drug and their total consumption in this connection a year amounts to \$3,600,000.00.

Sin-Yen (新陂). Opium has been the chief evil in this district up to the end of 1933, when the bus communication with other districts was completed and morphine and other narcotic drugs were imported continuously. At present over 10,000 people in this district have been addicted to the drug evil. The total consumption a year is estimated to be over \$720,000.00.

Chuangho (莊河). Since 1933, morphine from Dairen has been imported in large quantities into this district resulting in widespread menace to the people. It is found that the amount imported to the little town of Takushan (大孤山) for local distribution and for transmission to other hsien districts, amounts to over 100 lbs. a day. In the whole hsien district it is estimated that over 50,000 persons are addicted to this drug. Their total annual consumption is about \$3,600,000.00.

During this period over 140,000 people have been addicted to morphine in these four hsien districts and their total expenditure for a whole year is conservatively estimated to be about \$10,800,000.00.

With regard to the heroin conditions in these places, the situation is not so serious as the morphine traffic but the habitual use of this drug as a substitute for opium is on the increase especially in the cities. But judging from the rapid growth of morphine consumption, heroin will also be a popular evil in no more than two years time.

During the second period, the population in these four hsien districts has increased to slightly over a million and the number of opium and narcotic addicts have also grown to nearly 340,000; that is about one third of the total population. The total amount of money wasted in opium, morphine and heroin will be approximately \$80,000,000.00 a year. This statement may appear to be exaggerated to people outside of Manchuria, but to those who have seen the conditions with their own eyes and to those who know the purpose for which Japanese carry out their narcotic policy

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will agree with the above estimate,

Respectfully,

M. R. Nichols
Treasury Attaché.

ENCLOSURE

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